MCO321

DEPARTMENT OF HEALTH

ESTATECODE

GUIDANCE
ON THE

ESTATE INVESTMENT PROGRAMME

DEPARTMENT OF HEALTH

ESTATECODE

ESTATE INVESTMENT PROGRAMME

LONDON: HER MAJESTY'S STATIONERY OFFICE

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First published 1989

ISBN 0 11 321169 4

DEPARTMENT OF HEALTH

Advisory Group on Estate Management

Part of
ESTATECODE
Level 3

Guidance on the

ESTATE INVESTMENT PROGRAMME

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5. Monitoring and Feedback

Appendix 1 Property Overheads

This Guidance is issued by the Advisory Group on Estate Management. Any enquiries on it should be made to the AGEM Secretariat, Estate and Property Management Directorate, Euston Tower, 286 Euston Road, London NW1 3DN

FEBRUARY 1989

1. *General*

1.1 This document provides general guidance to support Stage 3 of the estate rationalisation process, as required in HC (86) 13. At this stage, Health Authorities will be in a position to prepare a comprehensive Estate Investment Plan (EIP) incorporating in due course the approved option. The programme should specify the timescale and the resources required to bring the estate up to the desired standards of functional suitability, space utilisation, physical condition, safety and statutory standards and energy performance and to sustain the estate and its assets at a standard commensurate with their function, utilisation and expected life. It should also indicate the extent to which both revenue and capital will be released through the process of rationalisation, by reductions in property overheads, land sales and reductions in building stock. The Estate Investment Programme should form an integral part of the Regional and District strategic plans.

1.2 Stages 3, 4 and 5 of the rationalisation process are highly interactive and together constitute an integral part of planning. The EIP provides the final stage of this strategic planning process and is the statement of intent for the estate in terms of service planning policy objectives. It also marks the beginning of the implementation process leading to rationalisation of the estate and is the interface between the financial and physical resource requirements contained in both the Estate Control Plan (ECP) and Estate Operational Plan (EOP) — Stages 6 and 7. Therefore, it is essential that formal endorsement of the EIP be given by the appropriate Authority.

1.3 The EIP is a strategic document in the form of a balance sheet which shows the intended estate investment on the one hand and the return on the investment on the other. This is regardless of whether improvement derives from acquisition or building new stock, upgrading, maintaining existing stock or disposal. This form of balance sheet is equally applicable to Unit, District and Regional level.

1.4 The EIP should be prepared as a statement of the overall estate strategy by each Authority, and as a summary of its intentions by healthcare groups. In addition, the EIP should also form an integral part of each Regional Health Authority's strategic plan and may also prove useful for Units. The EIP will need updating whenever there is any significant change in service planning policy objectives.

1.5 This guidance material has been tested and evaluated at pilot sites to establish its usefulness and practicability.

1.6 A number of factors have traditionally impeded effective estate planning in the NHS. Among these is the lack of a technique which combines all funding (including capital and revenue allocations) invested in the estate and relates it directly to improving property performance. A single resource assumption for strategic planning purposes should overcome the traditional separation of capital and revenue which has, historically, had a detrimental effect on estate investment.

1.7 The Estate Investment Programme is designed to overcome this latter impediment and brings together at one point the key aspects described above. It aims to balance year on year investment on the one hand and return on investment on the other. At this strategic level of aggregation it addresses the performance of the estate regardless of the detailed schemes adopted to improve healthcare facilities. The traditional capital programme then becomes a by-product having been justified by the process of balancing together all options. This latter aspect constitutes a major new departure from conventional practice.

1.8 The following describes the procedures and supporting documents to be used in preparing the EIP. For completeness, this includes the estate investment plan and estate investment scheme forms which are contained in the ECP and EOP respectively. The formulation of a viable EIP is an interactive process and therefore draft versions of the various documents will be prepared for planning purposes. These will indicate how the approved option can be facilitated and thereafter sustained at a level of performance for the efficient delivery of healthcare within the timescale and available resources.

1.9 The Estate Investment Programme is comprised of a set of separate but closely related documents, these include:

i the Estate Investment Programme Summary *(Fig. 1)*

ii the Estate Investment Programme by Care Group *(Fig. 2)*

iii the District Estate Investment Plan from ECP *(Figs. 3 and 3a)*

iv the Site Estate Investment Plan from ECP *(Figs. 4 and 4a)*

v the Site Estate Investment Scheme from EOP *(Figs. 5 and 5a)*

1.10 The adoption of these recommended formats will be helpful in attaining a degree of consistency between plans prepared by different Authorities. These forms, together with supporting Works Information and Management System (WIMS) programs, will allow information to be aggregated for strategic planning

purposes. This feedback information contained in the Estate Control and Operational Plans will improve the monitoring of estate performance and the rationalisation process.

2. *The Estate Investment Programme*

2.1 The process of identifying and appraising options (Stage 4) produces an approved option which is, in effect, the framework within which the Strategic Plan can be developed in detail. The approved option will have assumed how the resources of manpower and estate can be utilised so as to attain the healthcare service policy objectives, so far as possible, within the constraints of finance currently and potentially available to the Authority. So far as the estate is concerned, the approved option will have indicated:

i the actual existing estate (the stock of land and buildings) which is to be retained;

ii the degree of modification (extension, change of use, reduction) envisaged to the existing estate;

iii the need for additional land and buildings and the functional units to be provided;

iv the availability for disposal of unwanted existing land and buildings;

v the potential for re-use of estate assets (equipment, vehicles, estate manpower, finance) currently used in unwanted facilities;

vi the timings for delivery of retained, refurbished, reusable, extended or newly created land, buildings and other estate assets and the availability for disposal of unwanted assets;

vii the resources to sustain the resultant estate.

2.2 Since it is an interactive process, it follows that estate managers should formulate alternative estate investment plans which will satisfy the approved option. Each will indicate how the facilities envisaged in the approved option can be delivered within timings and at the locations identified and show the intended effect on the estate. These estate investment plans can then be evaluated so as to identify and select the estate investment plan which most satisfactorily meets service planning policy objectives within the constraints of all available resources.

2.3 Generally, firm capital and revenue resource assumptions are only available for the first 3 years of the planning period. For the succeeding years, assumed apportionment between capital and revenue will be needed. It is recognised that this split may change as the plan progresses, but virement should provide the necessary flexibility to ensure financial resource availability over the strategic planning period. Where this is not possible, a special case must be made to the appropriate Authority.

2.4 The selected Estate Investment Plans *(Figs. 3/3a and 4/4a)* can then be aggregated into viable EIP's, by care group *(Fig. 2)*, as a summarised statement *(Fig. 1)* to be endorsed by the appropriate Authority.

2.5 The return on investment includes the following factors:

i improved services resulting in better functioning buildings

ii increased services resulting from additional building provision and more efficient buildings

iii revenue savings resulting from:

a. the elimination of spare capacity and under-utilised space

b. the reduction in property overheads *(see Appendix 1)*

c. increased utilisation of the estate and the capital assets

iv capital generation resulting from the disposal of all surplus buildings and land

v improved physical condition resulting from:

a. the replacement of worn out buildings by new buildings

b. improved maintenance or upgrading of existing buildings

c. the disposal of buildings that are uneconomic to maintain and which accommodate functions which can be relocated.

2.6 The priority accorded to each of the above will depend upon the healthcare strategy of each Authority. However, it is clear from the above that revenue and capital savings will provide additional resources. These should be used to fund the rationalisation process or be deployed to direct patient care.

2.7 The EIP is perceived as an integral part of strategic planning and following endorsement by the appropriate Authority provides an essential aggregated statement of intent in the form of a dynamic cash model and a useful management tool for monitoring estate performance. Its effectiveness relies upon the greatest degree of flexibility between present and future capital and revenue allocations. A single resource assumption will allow Authorities the freedom to formulate their long term plans without external predetermined levels of capital and revenue resources. This proposal has been recommended by Health Service Treasurers in their report "Managing Capital Assets in the NHS" and is consistent with the resource management and asset accounting initiatives.

2.8 The EIP *(Fig. 1)* represents the final summary statement which will be endorsed by the appropriate Authority and will form the basis for monitoring progress. The columns under investment and return on investment are concerned with:

i the year within the strategic planning period;

ii estate resource allocation — which will include firm capital and revenue allocation for years 1–3 and assumed allocations for the succeeding years;

iii land sales — which will include all income generated from the disposal of surplus land, property and assets;

iv brokerage — which will include both banking of income and bridging of expenditure to allow the strategic plan to be realised in any one year and over the planning period (the net brokerage over the planning period will normally equate to zero);

v property appraisal — which relies upon a surveying technique developed by the Advisory Group on Estate Management (AGEM) (each property is appraised using a ranking scale in terms of its physical condition, functional suitability, energy performance, statutory standards and utilisation — a typical physical condition ranking score, for example, at the beginning of strategic planning period (year one) might be 20% at condition AB and 80% at condition CD; a reasonable target at the end of the 5–10 year cycle could be 60% at AB and 40% at CD and the stage progress towards this target would be monitored);

vi property overheads — which are the aggregated cost of the elements shown in Appendix 1 (as the stock reduces in size or as the property is more efficiently managed, the total property overhead can be expected to drop and make a contribution to revenue savings);

vii functional units — which are a measure of the service provided (a positive or negative sign will indicate whether the service is increasing or reducing and by how much);

viii capital asset value — which indicates the change in capital asset value of an Authority (a positive or negative sign indicates whether this value is increasing or decreasing);

ix total savings — which are the capital and revenue generation savings as outlined in paragaph 2.5 resulting from the rationalisation process;

x improved service etc (this allows comments to be made relating to specific service planning objectives and also indicate cash and non-cash benefits (including manpower reductions overall, financial savings etc) to be gained from estate investment).

3. *Estate Investment Plans*

3.1 The Estate Control Plan (ECP) provides the interface between the strategic planning processes (Stages 3, 4 and 5) and the detailed implementation of those decisions. The preparation of the ECP follows on from, and interacts with, the preceding stages and should contain a statement which relates financial resources to specific physical plans at locations (sites), and includes detail on type of facilities, time-phasing, healthcare programme, and intended effect on the estate.

3.2 Estate Investment Plans provide this statement and are required to carry forward the EIP into detailed plans at both District and Site *(Figs. 3/3a and 4/4a)*.

4. Estate Investment Schemes

4.1 The Estate Operational Plan (EOP) is concerned with the management of physical assets including procurement, maintenance, renewal, upgrading, and disposals. Thus, the preparation of an EOP follows on, and interacts with, the preceding Stages 5 and 6 which provide an agreed estate strategy to reflect the healthcare facilities envisaged in the strategic plan. The EOP should contain a similar statement to the Estate Investment Plan detailing the financial and physical resources by schemes which should be divided into various stages.

4.2 Estate Investment Schemes provide this statement and are required to carry forward the EIP and ECP into detailed schemes at sites *(Figs. 5 and 5a)*.

5. *Monitoring and Feedback*

5.1 It is essential to the implementation processes of both the strategic and operational planning cycles that arrangements exist for recording achievements, the problems encountered and the change in circumstances which will arise as the plan progresses. The system should allow for regular monitoring and feedback at all levels, so that adjustements can be made dynamically to the strategic and operational plans.

5.2 The Estate Investment Programme will keep management continuously and systematically informed of the estate rationalisation process and the estate's performance.

Property Overheads

Property overheads should be calculated in annual cost per sq metre, and include:

1. Maintenance to sustain an acceptable level
2. Heating
3. Lighting
4. Cleaning
5. Security
6. Ventilation
7. Notional Rent
8. Core Services
9. Contribution in lieu of rates

However, the above is not a definitive list. It is suggested that, for practical reasons, the calculation of property overheads may be better if based on financial accounts statements under the following expenditure headings:

— Engineering maintenance

— Energy and utility

— Building maintenance

— Grounds and gardens

— General estate expenses

— Domestic cleaning

— Security (say, 20% portering)

Amounts under the above headings should be aggregated and calculated in annual cost per sq metre.

Figure 1

AUTHORITY _____

ESTATE INVESTMENT PROGRAMME - SUMMARY STATEMENT

INVESTMENT					RETURN ON INVESTMENT									
					CONDITION AB/CD %									
YEAR	ESTATE RESOURCE ALLOCATION £000's	LAND SALES £000's	BROKERAGE £000's	TOTAL ESTATE RESOURCES £000's	PHYSICAL CONDITION	FUNCTIONAL SUITABILITY	ENERGY PERF'MANCE	STATUTORY STANDARDS	UTILIZATION %	PROPERTY OVERHEADS £000's	CAPITAL ASSET VALUE - £000's	FUNCTIONAL UNITS +/-	TOTAL SAVINGS £000's	IMPROVED SERVICE OR OTHER CASH - OR NON CASH BENEFITS
0														
1 2														
3 4														
5 6														
7 8														
9 10														

Figure 2

AUTHORITY _____

ESTATE INVESTMENT PROGRAMME

HEALTH CARE GROUP _____

INVESTMENT					RETURN ON INVESTMENT									
					CONDITION AB/CD %									
YEAR	ESTATE RESOURCE ALLOCATION £000's	LAND SALES £000's	BROKERAGE £000's	TOTAL ESTATE RESOURCES £000's	PHYSICAL CONDITION	FUNCTIONAL SUITABILITY	ENERGY PER'F'MANCE	STATUTORY STANDARDS	UTILIZATION %	PROPERTY OVERHEADS £000's	CAPITAL ASSET VALUE - £000's	FUNCTIONAL UNITS +/-	TOTAL SAVINGS £000's	IMPROVED SERVICE OR OTHER CASH - OR NON CASH BENEFITS
0														
1 2														
3 4														
5 6														
7 8														
9 10														

Figure 3

DISTRICT REF No

HEALTH AUTHORITY

SOURCE DISTRICT ESTATES OFFICER

DOCUMENT NUMBER

REVISION

ISSUE DATE

DISTRICT ESTATE INVESTMENT PLAN

ESTATECODE REF.

SITE REF No	BIDS IN PRIORITY ORDER					EXPENDITURE £000's											INTENDED EFFECT ON ESTATE													COST TO 'B'
	SCHEME REFERENCE No	HEALTH CARE PROGRAMME		PRIORITY	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTAL	FUNCTIONAL UNITS	AREA M2	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	
		MAIN	SUB																										
ALL FIGURES IN £000's AT 19 PRICE LEVELS					TOTAL TO SUMMARY																								

Figure 3a (example)

DISTRICT REF No: A/01

HEALTH AUTHORITY: MEREWORTH

SOURCE: DISTRICT ESTATES OFFICER

DOCUMENT NUMBER:

REVISION:

ISSUE DATE: 01 06 89 88

DISTRICT ESTATE INVESTMENT PLAN

ESTATECODE REF:

SITE REF No	BIDS IN PRIORITY ORDER					EXPENDITURE £000's											INTENDED EFFECT ON ESTATE													COST TO 'B'
	SCHEME REFERENCE No	HEALTH CARE PROGRAMME		PRIORITY	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	TOTAL	FUNCTIONAL UNITS	AREA M2	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	
		MAIN	SUB																										
99	30/975	ACUTE	YPD	1	MAJOR	10	175										185													
99	32/981	ACUTE		1	MAJOR		400	2000	2000		600						5000			C→B										
99	15/963	ACUTE		1	MINOR	40	520										560													
99	23/972	GERIATRIC		2	MINOR		50										50						D→B							
99	7/962	ACUTE		2	MAJOR		20	140	20	20							200													
ALL FIGURES IN £'000s AT 1987 PRICE LEVELS	TOTAL TO SUMMARY					50	1165	2140	2020	20	600						5995													

Figure 4

SITE REF No	SITE NAME	HEALTH AUTHORITY	SOURCE DISTRICT ESTATES OFFICER DOCUMENT NUMBER REVISION ISSUE DATE	SITE ESTATE INVESTMENT PLAN ESTATECODE REF.

BIDS IN PRIORITY ORDER							ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE												
SCHEME REFERENCE No		HEALTH CARE PROGRAMME		PRIORITY	SCHEME	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATIVE DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No	MAIN	SUB																									
ALL FIGURES IN £000's AT 19 PRICE LEVELS					TOTAL TO SUMMARY																							

Figure 4a (example)

SITE REF No	SITE NAME	HEALTH AUTHORITY	SOURCE: DISTRICT ESTATES OFFICER	SITE ESTATE INVESTMENT PLAN
A/01/99	ASCOT	MEREWORTH	DOCUMENT NUMBER / REVISION / ISSUE DATE 01 06 1988	ESTATECODE REF.

BIDS IN PRIORITY ORDER							ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE												
SCHEME REFERENCE No		HEALTH CARE PROGRAMME		PRIORITY	SCHEME	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATIVE DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No	MAIN	SUB																										
30	975	ACUTE	YPD	1	DEVELOPMENT UNIT	MAJOR	10	175			185	TO TENDER		APRIL 88	10														
32	981	ACUTE		1	PHASE 3 WARD/ PATHOLOGY BLOCK	MAJOR		400	2000	2600	5000	AIP OBTAINED	DETAILED DESIGN	JULY 89	20				C→B										
15	963	ACUTE		1	NEW MORTUARY	MINOR	40	520			560	BUDGET COST	TO TENDER	APRIL 88	10														
23	972	GERIATRIC		2	TEMPORARY GERIATRIC ASSESSMENT UNIT	MINOR		50			50	OPTION APPRAISAL			4							D→B						
7	962	ACUTE		2	EXTEND SURGICAL DAY UNIT	MAJOR		20	140	40	200	OPTION APPRAISAL		APRIL 89	8														
ALL FIGURES IN £000's AT 1987 PRICE LEVELS					TOTAL TO SUMMARY		50	1165	2140	2640	5995																		

Figure 5

SITE REF No.	SITE NAME	HEATH AUTHORITY	SOURCE DISTRICT ESTATES OFFICER DOCUMENT NUMBER REVISION ISSUE DATE	SITE ESTATE INVESTMENT SCHEME ESTATECODE REF.

BIDS IN PRIORITY ORDER								ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE												
SCHEME & STAGE REFERENCE No			HEALTH CARE PROGRAMME		PRIORITY	SCHEME & STAGE	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATING DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No.	STAGE No.	MAIN	SUB																										
ALL FIGURES IN £000's AT 1987 PRICE LEVELS						TOTAL TO SUMMARY																							

Figure 5a (example)

SITE REF No.	SITE NAME	HEATH AUTHORITY	SOURCE	SITE ESTATE INVESTMENT SCHEME
A/01/99	ASCOT	MEREWORTH	DISTRICT ESTATES OFFICER DOCUMENT NUMBER REVISION ISSUE DATE 01 06 19 88	ESTATECODE REF.

BIDS IN PRIORITY ORDER								ESTIMATED COST £000's					TIMINGS					INTENDED EFFECT ON ESTATE													
SCHEME & STAGE REFERENCE No			HEALTH CARE PROGRAMME		PRIORITY	SCHEME & STAGE	SOURCE OF FINANCE	YEAR 0	YEAR 1	YEAR 2	FUTURE YEARS	TOTAL	STAGE REACHED	NEXT STAGE	START	MONTHS	OPERATING DATE	FUNCTIONAL UNITS	AREA M²	FUNCTIONAL SUITABILITY	UTILITY	ENERGY	STATUTORY REQUIREMENTS	CONDITION	AVERAGE LIFE	MAINTENANCE (£)	ENERGY (GJ)	PROPERTY OVERHEADS	RATES	COST TO 'B'
BLOCK REF	JOB No.	STAGE No.	MAIN	SUB																										
30	975	01	ACUTE	YPD	1	DEVELOPMENT UNIT ENABLING WORKS	MAJOR	10				10																			
30	975	02	ACUTE	YPD	1	CONSTRUCTION	MAJOR		175			175								A										
32	981	01	ACUTE		1	PHASE 3 - WARD/ PATHOLOGY DESIGN	MAJOR		400			400			JULY 89															
32	981	02	ACUTE		1	PHASE 3 - CONSTRUCTION	MAJOR			2000	1000	3000			APRIL 90					A										
32	981	03	ACUTE		1	PHASE 3 - UPGRADE PATHOLOGY	BROKERAGE				1600	1600			APRIL 91					C→B										
ETC.	ETC.																													
ALL FIGURES IN £000's AT 1987 PRICE LEVELS						TOTAL TO SUMMARY																								

Printed in the United Kingdom for Her Majesty's Stationery Office.
Dd.289154, 2/89, C35, 434/1, 5673, 33079.

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